#### **Regulation 39-22-605**– Estimated Individual Income Tax.

## (1) Net Colorado Tax Liability.

The net Colorado tax liability for purposes of the estimated tax computation is defined as the total amount of Colorado tax, alternative minimum tax, and recapture of prior year credits minus all income tax credits other than the state sales tax refund, withholding credits, and estimated tax credits.

### (2) Required Estimated Payments.

The annual amount required to be paid is the lesser of:

- a. 70% of actual net Colorado tax liability.
- b. 100% of preceding year's net Colorado tax liability. This subparagraph (2)(b) applies only if the preceding year was a 12-month tax year, the individual filed a Colorado return, and the individual's federal adjusted gross income for the preceding year was \$150,000 or less or \$75,000 or less if the individual federal filing status was married separate.
- c. 110% of preceding year's net Colorado tax liability. This subparagraph (2)(c) applies only if the preceding year was a 12-month tax year and the individual filed a Colorado return.

# (3) Submitting Payments

- a. Estimated tax payments are due on the 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, 9<sup>th</sup> month and 1<sup>st</sup> month of the following tax year. Payments will be first credited against the earliest quarterly installment due for the tax year regardless of when the payment is received.
- b. Withholding credits and state sales tax refund are treated as if 25% of such credits and refund was paid in each quarter unless the taxpayer establishes the dates on which the amounts were actually withheld. Wage withholding and other withholding credits can be treated separately when determining whether to allocate 25% to each quarter or whether to allocate the credit to the quarter in which the amount was actually paid.

## (4) Annualized Income Installment Method

- a. Taxpayers who do not receive income evenly during the year may elect to use the annualized income installment method to compute their estimated tax payments but only if they elected annualized installments for the payment of their federal income tax.
- b. The required installment payment on each due date will be:
  - (i) the Colorado tax liability computed by annualizing the income received during the months of the tax year ending on the last day of the

month before the due date for the installment payment, multiplied by

- (ii) the applicable percentage listed below,
- minus
- (iii) the total of any earlier installment payments made for the tax year.

Installment <u>Due date</u>	Income annualized from	Income annualized through	Applicable percentage
4/15	1/1	3/31	17.5%
6/15	1/1	5/31	35%
9/15	1/1	8/31	52.5%
1/15	1/1	12/31	70%

c. A schedule and explanation of the allocation methodology must be made available to the Colorado Department of Revenue upon request in order to use this annualized method.

#### (5) Farmers and Fisherman

- a. Farmer or fisherman means an individual whose gross income from farming or fishing is at least 2/3 of their total gross income for the tax year or the preceding tax year.
- b. The required annual amount to be paid by a farmer or fisherman is the lesser of:
  - (i) 50% of actual net Colorado tax liability, or
  - (ii) 100% of preceding year's net Colorado tax liability. This subparagraph (5)(b) applies only if the preceding year was a 12-month tax year and the individual filed a Colorado return)
- c. Estimated tax payments from a farmer or fisherman are due in a single payment by January 15 of following tax year.

#### (6) Estimated Tax Penalty

- a. The estimated tax penalty will be assessed if the required estimated tax payments are not paid in a timely manner. The penalty will be the appropriate Colorado income tax interest rate multiplied by the amount of the underpayment for each quarter multiplied by the underpayment period.
- b. The estimated tax penalty will not be assessed if any of the following conditions are met:

- (i) If the net Colorado tax liability minus any prepayments and credits, other than the estimated tax payments and credits, is less than \$1,000.
- (ii) If the taxpayer was a full-year resident for the preceding 12-month tax year and the net Colorado tax liability in that year was -0-.
- (iii) If the taxpayer is a farmer or fisherman and files a return with full payment of any tax due by March 1 of the following tax year.
- c. If the tax return is filed and any tax due is paid by January 31 of the following tax year, no penalty will be computed based on any underpayment of the fourth quarter installment payment.

### (7) Joint Returns

- a. Taxpayers who file a joint federal declaration of estimated tax must file a joint Colorado payment. Payment must be submitted under the same primary social security number used when the income tax return is filed.
- b. If a joint estimated tax payment is made but separate returns are filed, the estimated tax payments may be divided between the two taxpayers in any manner they desire. In the case of a disagreement between the spouses on how to claim the payments where each spouse claims 100% of the payments or together they claim over 100% of the payments, the payments will be divided in the same proportion as the net Colorado tax liability. If neither spouse has a tax liability, the payments will be split 50% for each spouse. If one spouse claims less than the allocation formula provides, then that spouse will only be credited with the payments that were claimed and the other spouse will receive the balance of the payments.